

Internal Revenue Service

Department of the Treasury

District
Director

MAR 13 1996

CERTIFIED MAIL

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code and have determined that you do not qualify for tax exemption under that section. Our reasons for this conclusion and the facts on which it is based are explained below.

The information submitted with your application for recognition of exemption indicates that you were formed as an unincorporated association on [REDACTED].

The objectives of the Association as stated in the Constitution and Bylaws are; to promote [REDACTED], and to protect the interests of the merchants and the customers of the center. You've stated [REDACTED] of the organizations activities involves newspaper or radio advertising.

Membership in the Association is limited to the businesses located in [REDACTED]. Each business that has paid dues set by the Association becomes a voting member.

The Association's income is derived from dues based on the total square feet of each store or business and any special assessments charged to members.

Expenditures were made for radio and print ads, special events, and promotions.

Section 501(c)(6) of the Internal Revenue Code provides for exemption of business leagues, chambers of commerce, real estate boards, boards of trade, and professional football leagues, which are not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname	[REDACTED]	[REDACTED]	[REDACTED]				
Date	3/2/96	3/4/96	3-13-96				

Section 1.501(c)(6)-1 of the Income Tax Regulations states that a business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. Its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.

Revenue Ruling 56-65, published in Cumulative Bulletin 1956-1, on page 194, held that a local organization whose principal activity consisted of furnishing particular information and specialized individual service to its individual members engaged in a particular industry through publications and other means to effect economies in the operation of their individual businesses was performing particular services for individual persons. Such organization did not qualify for exemption under section 501(c)(6), of the Internal Revenue Code as a business league even though it performed functions which were of benefit to the particular industry and the public generally.

Revenue Ruling 64-315, Cumulative Bulletin 1964-2, page 147 denied exemption to an association of merchants in a particular shopping center whose advertising material contained the names of the individual merchants. Advertising which carries the names of members constitutes the performance of particular services.

Revenue Ruling 73-411, Cumulative Bulletin 1973-2, page 180 clarified Revenue Ruling 64-315 when it denied exemption to a shopping center merchants association whose membership is restricted to, and required of, the tenants of a one owner shopping center and their common lessor, and whose activities include promotional affairs and advertising to publicize the center, these activities are directed to promoting the general business interest of its members only, rather than the industry as a whole. Therefore, the organization did not qualify as a business league or chamber of commerce under Internal Revenue Code section 501(c)(6).

The information provided indicates you were formed for the primary purpose of advertising the Plaza and its Merchants. Advertising which carries the names of members constitutes the performance of particular services for members. The activities of a merchants association, which include advertising, special events and seasonal promotions, whose membership is restricted to the tenants of a particular shopping center does not qualify as a business league or chamber of commerce since the activities are directed to promoting the general business interest of its members and not an industry as a whole. The fact business owners in the center are not required to join the association does not change the primary purpose of the organization.

[REDACTED]

Based on the information provided, it is held you do not qualify as an organization described in Internal Revenue Code section 501(c)(6) since you are performing particular services for members and you are organized to promote the general business interest of your members and not a line of business or the business community in general.

Until you have established an exempt status, you are not relieved to the requirements of filing federal income tax returns.

If you do not accept our findings, we recommend that you request a conference with a member of our Regional Office of Appeals. Your request for a conference should include a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a conference. The conference may be held at the Regional Office, or if you request, at any mutually convenient District office. If we do not hear from you within 30 days from the date of this letter, this determination will become final.

Sincerely yours,

[REDACTED]

District Director

cc: [REDACTED]

Enclosure: Publication 892